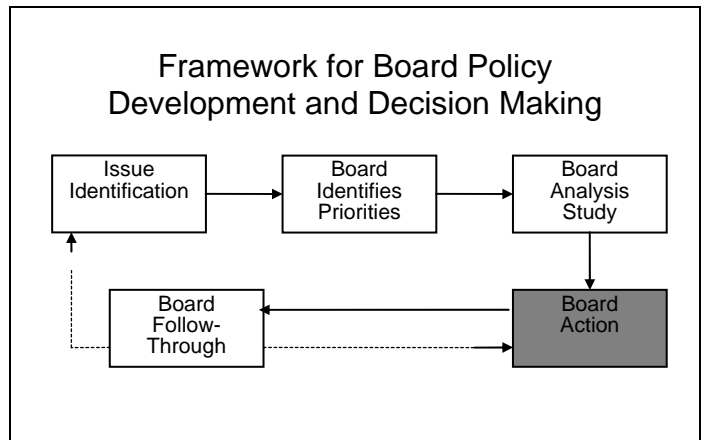


Iowa State Board of Education

Executive Summary

July 31, 2008



Agenda Item:	Chapter 56 rules, Vocational Rehabilitation Services (Adopt)
Iowa Goal:	(3) Individuals will pursue postsecondary education in order to drive economic success.
Equity Impact Statement:	Adults with disabilities are served by a program known as “Entrepreneurs With Disabilities” (EWD). Administration of EWD has been transferred to Iowa Vocational Rehabilitation Services.
Presenter:	None (consent agendum)
Attachments:	2
Recommendation:	It is recommended that the State Board adopt and file the following amendments to Chapter 56, Vocational Rehabilitation Services.
Background:	<p>Senate File 2101, signed by Governor Culver on March 5, 2008, transfers administration of Entrepreneurs with Disabilities (EWD) from the Iowa Finance Authority to the Iowa Vocational Rehabilitation Services division of the Department of Education.</p> <p>The requirement that assistance be limited to qualified persons whose business is in this State recognizes the legislative intent that state funding for this program be used to expand economic development in the state of Iowa, not in neighboring states. Finally, all small business actions are now part of the Entrepreneurs with Disabilities program; there is no longer a separate First Step program.</p>

EDUCATION DEPARTMENT[281]

Adopted and Filed

Pursuant to the authority of Iowa Code section 256.7(5), the State Board of Education hereby amends Chapter 56, "Iowa Vocational Rehabilitation Services," Iowa Administrative Code.

2008 Iowa Acts, Senate File 2101, transfers administration of the Entrepreneurs with Disabilities program from the Iowa Finance Authority (IFA) to the Division of Vocational Rehabilitation Services and directs the adoption of rules therefor. The proposed amendments do the following:

Transfer the IFA rules (265—Chapter 25) regarding administration of the Entrepreneurs with Disabilities program to 281—Chapter 56.

Limit assistance to qualified persons whose business is in this state in recognition of the legislative intent that state funding for this program be used to expand economic development in the State of Iowa, not in neighboring states.

Eliminate the First Step program because all small business actions are now part of the Entrepreneurs with Disabilities program.

An agencywide waiver provision is provided in 281—Chapter 4.

Notice of Intended Action was published in the June 18, 2008, Iowa Administrative Bulletin as ARC #6836B. Public comments were allowed until 4:30 p.m. on July 8, 2008. No written or oral comments were received.

These amendments are identical to those published under Notice.

These amendments are intended to implement 2008 Iowa Acts, Senate File 2101.

These amendments shall become effective October 1, 2008.

The following amendments are adopted.

ITEM 1. Amend **281—Chapter 56** by rescinding and reserving rule **281—56.20(259)**.

ITEM 2. Amend **281—Chapter 56** by adopting the following new division:

DIVISION X
IOWA SELF-EMPLOYMENT PROGRAM
(a/k/a ENTREPRENEURS WITH DISABILITIES PROGRAM)

281—56.37(82GA,SF2101) Purpose. The division of vocational rehabilitation services works in collaboration with the Iowa department for the blind to administer the Iowa self-employment (ISE) program, which is also known as the entrepreneurs with disabilities (EWD) program. The purpose of the program is to provide business development grants in the form of technical assistance, monetary business development grants (up to \$10,000), and financial assistance grants (up to \$10,000) to qualified Iowans with disabilities who start or expand a business within the state of Iowa.

281—56.38(82GA,SF2101) Eligibility requirements. Clients of the division or the department for the blind may apply for the program. All of the following conditions are also applicable:

1. The division may limit or deny ISE assistance to an applicant who has previously received educational or training equipment from the division through another rehabilitation program when such equipment could be used in the applicant's proposed business.
2. Any equipment purchased for the applicant under this program that is no longer used by the applicant shall be returned to the division.
3. An applicant must demonstrate that the applicant has at least 51 percent ownership in a for-profit business that is actively owned, operated, and managed in Iowa.
4. In order to receive financial support from the ISE program, the applicant's business plan must result in self-sufficiency for the applicant as measured by earnings that equal or exceed 80 percent of substantial gainful activity.

281—56.39(82GA,SF2101) Application procedure.

56.39(1) Application. Application materials for the program are available from the division and the department for the blind.

56.39(2) Submittal. Completed applications shall be submitted to a counselor employed by the division or the department for the blind.

56.39(3) Review. Applications will be forwarded to a business development specialist employed by the division for review. Applicants whose applications receive a minimum of 60 points out of a total 100 points and are accompanied by a letter of support from the division or the department for the blind are eligible to pursue a technical assistance grant. Approval of a technical assistance grant is based upon the results of a business plan feasibility study. If the application is for financial assistance only, a business plan will be required at the time of

submission of the application. Applicants whose business plans receive a minimum score of 75 points out of a total of 100 points are eligible to pursue a financial assistance grant. Approval of a financial assistance grant is based upon acceptance of a business plan and documentation of the applicant's ability to match dollar-for-dollar the amount of funds requested. A decision on all applications and forms will generally be issued within 30 days of submission with notification by letter to the applicant.

56.39(4) Applications for technical assistance—evaluation factors. Applications for the program will be reviewed and evaluated using a 100-point system, based upon the following criteria:

a. Descriptive and organization information: 0 - 30 points. Does the applicant have education, skills, and work experience relevant to the proposed business venture? Does the applicant document previous management or accounting experience? Does the applicant have a clear understanding of the nature of the business?

b. Market information: 0 - 30 points. Does the application indicate a clear understanding of potential customer groups and how to reach them? Does the application show sufficient knowledge of products/services, competition, and marketing methods? Does the applicant understand the critical issue of location?

c. Financial information: 0 - 30 points. Does the applicant demonstrate an understanding of how to estimate sales potential? Does the applicant indicate knowledge of estimated capital requirements for business start-up, expansion, or acquisition?

d. Creditworthiness: 0 - 10 points. Does the applicant's past credit history demonstrate responsible behavior? Awards will not be made if the applicant has a credit history showing delinquent credit obligations including, but not limited to, unpaid income tax, delinquent child support obligations, or defaulted student loans.

56.39(5) Applications for financial assistance—evaluation factors for business plans. Applications for financial assistance from the program will be reviewed and evaluated using a 100-point system, based upon the following criteria:

a. Feasibility: 0 - 25 points. Feasibility will be considered based upon the overall business plan. Rating factors for this criterion include, but are not limited to: market analysis, financial projections, initial capitalization, management, and historic data relative to similar businesses. A minimum of 15 points is required for this rating factor.

b. Market plan: 0 - 25 points. Does the business plan contain sufficient information to demonstrate that the applicant fully understands who the applicant's customers will be and how to reach them? Is there adequate information about competition, market need, location, sales/marketing methods, and a product/service description? Is a promotional plan included in the business plan? A minimum of 15 points is required for this rating factor.

c. Financial plan: 0 - 25 points. Does the business plan contain a two-year cash flow projection and profit and loss projection? Is there an itemized listing of fixed assets, working capital, and other start-up, expansion and acquisition needs, including detailed descriptions of equipment to be purchased? Is there a clear statement regarding the composition of the anticipated financial package? Has the applicant provided a personal financial statement along with a detailed personal monthly budget form? A minimum of 15 points is required for this rating factor.

d. Organizational information: 0 - 25 points. Does the business plan document sufficient education and work experience relevant to the proposed business? Does the business plan demonstrate adequate management experience by the principal party(ies)? A minimum of 15 points is required for this rating factor.

56.39(6) Appeal of application evaluation. If an application is denied based upon the assignment of an inadequate evaluation score, an applicant may appeal the decision to the division or the department for the blind. An appeal shall be consistent with the appeal processes of the division or the department for the blind.

281—56.40(82GA,SF2101) Award of technical assistance grants.

56.40(1) Awards. Technical assistance grants may be used for specialized consulting services as determined necessary by the counselor, the business development specialist, and the client. Technical assistance grants may be awarded up to a maximum of \$10,000 per applicant. Specialized technical assistance may include, but is not limited to, market analysis; marketing plans; engineering, legal, and computer services; preliminary business plan development; financial packaging; and other consulting services that require specialized education and training.

56.40(2) Award process. Upon approval of the application by the counselor and the business development specialist, generally within 30 days, an applicant will receive notification of eligibility to pursue technical or financial assistance. The applicant must demonstrate the ability to contribute at least 50 percent of the start-up costs and the ability to cover any costs beyond

\$10,000 if necessary. The business development specialist will identify if specialized services are needed and will provide recommendation for approval by the division or departmental staff.

56.40(3) Approval of business plan feasibility study. A business plan feasibility study indicating that the proposed business has a likelihood of success based upon the scoring will accompany notification letters. The business plan feasibility study will require an applicant to identify specific steps in the business planning process as well as who will be involved in each step of the process, address budgetary guidelines, and provide a timeline. The business plan feasibility study must be signed by the applicant and the business development specialist. Applicants receiving a score of 100 out of 125 points on the feasibility study will be recommended for technical or financial assistance or both.

56.40(4) Technical assistance grant contracts. The division shall negotiate contracts with qualified consultants for delivery of services to an applicant if specialized services are deemed necessary. The contracts shall state hourly fees for services, the type of service to be provided, and a timeline for delivery of services. Authorization of payment will be made by a counselor employed by the division or the department for the blind based upon the negotiated rate as noted in the business plan. A copy of each contract shall be filed with the division.

56.40(5) Consultants. Applicants will be provided a list of qualified business consultants by the business development specialist if specialized consultation services are necessary. The selection of consultant(s) shall be the responsibility of the applicant.

56.40(6) Case management. The business development specialist will commit a specific number of hours of direct consultation to each applicant to ensure that quality services for business planning are provided in a timely manner.

281—56.41(82GA,SF2101) Financial assistance grants.

56.41(1) Grant awards. Financial assistance grants may be awarded based upon the demonstrated need and evidence of business progression. The applicant must provide 50 percent of the equipment or working capital needed to start, expand, or acquire a business as defined in the business plan outline. The applicant may provide the 50 percent through conventional financing or other sources. Working capital may include, but is not limited to, design and printing of marketing materials, advertising, rent (up to six months), direct mail postage, raw materials, inventory, insurance (up to six months), and other start-up, expansion, or acquisition costs. The amount that may be awarded by the program shall be provided in three phases of

business operations when each phase meets specified business results, and the need for additional award money is indicated. The timing of each phase and the amount of funds for each phase shall be established in the approved business plan, as reviewed by the business development specialist and approved by the counselor. It is a goal of the program that program funds assist an applicant in securing financing from a commercial or private source.

56.41(2) Approval of business plan financial forms. Business plan financial forms will define specific financial needs for business start-up, expansion, or acquisition. These forms shall be provided to an applicant by the counselor following evaluation of the application for the program and the submission and review of the business plan. Completed forms shall be submitted to the counselor and the business development specialist. The counselor, the business development specialist, and the applicant will meet to review the forms. Generally, this process shall be completed within 30 days of submission.

56.41(3) Award process. Upon the business development specialist's initial approval of the business plan, the counselor shall approve or deny the business plan. If the business plan is approved, the counselor shall send the applicant a notification letter which shall state the amount and conditions of the award.

56.41(4) Financial assistance grant contracts. Contracts for financial assistance grants shall be the responsibility of the division or the department for the blind and will be consistent with the authorized use of Title I vocational rehabilitation funds and policy. Recipients of financial assistance must demonstrate ongoing cooperation by providing the business development specialist with financial information needed to assess the business before additional funds are expended.

ITEM 3. Amend **281—Chapter 56**, implementation sentence, as follows:

These rules are intended to implement Iowa Code chapter 259, the federal Rehabilitation Act of 1973, as amended, ~~and~~ the federal Social Security Act (42 U.S.C. Section 301 et seq.), and 2008 Iowa Acts, Senate File 2101.